FINANCIAL REPORT 2005

WEBER STATE UNIVERSITY

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Weber State University
A Component Unit of the State of Utah
June 30, 2005

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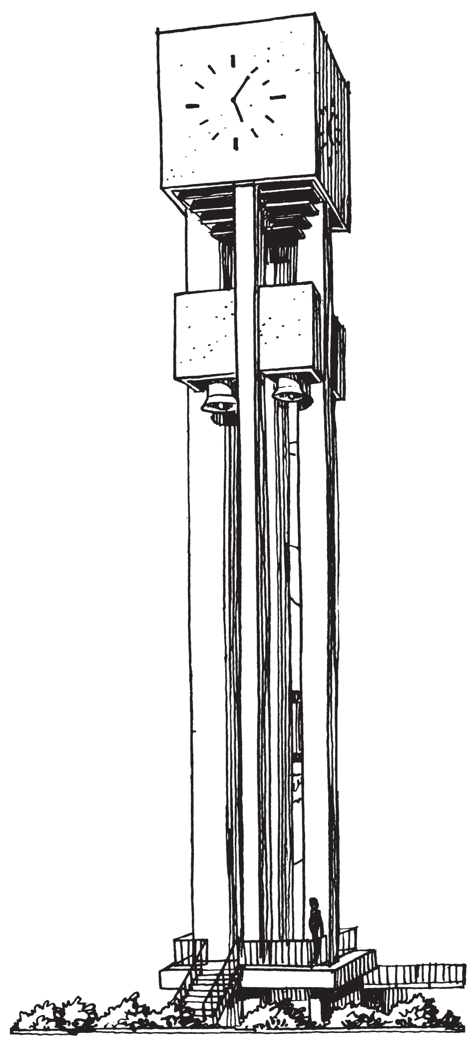

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Weber State University
June 30, 2005

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Dr. F. Ann Millner, President
Weber State University

We have audited the accompanying basic financial statements of Weber State University (hereinafter referred to as the "University"), a component unit of the State of Utah, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's 2004 financial statements and, in our report dated October 15, 2004, we expressed an unqualified opinion on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 10, 2005, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management discussion and analysis on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
October 10, 2005

Weber State University
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005

Introduction

This section of Weber State University's (the University's) Annual Report presents management's discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2005, with comparable information for the fiscal year ended June 30, 2004. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial Statements Overview

This annual report consists of a series of financial statements, prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis – for Public Colleges and Universities,* and GASB Statement No. 38*, Certain Financial Statement Note Disclosures.* These GASB standards became effective for the University for the fiscal year ended June 30, 2002.

As required by these newly adopted accounting principles, the annual report consists of three basic financial statements which provide information on the University as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Weber State University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

Condensed Statement of Net Assets

	2005	2004
Assets		
Current Assets	$ 26,033,189	$ 22,554,712
Noncurrent Assets:		
Capital	137,287,719	137,946,652
Other	95,921,718	84,787,583
Total Assets	259,242,626	245,288,947
Liabilities		
Current Liabilities	9,342,360	10,396,227
Noncurrent Liabilities	18,145,674	19,007,810
Total Liabilities	27,488,034	29,404,037
Net Assets		
Invested in Capital Assets, net of debt	121,072,055	120,669,615
Restricted - Nonexpendable	38,099,129	32,851,014
Restricted - Expendable	43,861,563	37,672,354
Unrestricted	28,721,845	24,691,927
Total Net Assets	$ 231,754,592	$ 215,884,910

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes to outside organizations. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, “invested in capital assets, net of debt,” provides the University’s equity in property, plant and equipment. The next asset category is “restricted” net assets, which is divided into two subcategories, “nonexpendable” and “expendable.” The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is “unrestricted” net assets. Unrestricted assets are generally designated internally by the University for specific institutional purposes.

In fiscal year 2005, the total assets of the University increased by $14 million, of which $10.6 million is attributed to an increase in investments. At the end of fiscal year 2005, the University’s current assets of $26 million were sufficient to cover current liabilities of $9.3 million. Also at the end of fiscal year 2005, total assets of $259.2 million are sufficient to cover total liabilities of $27.5 million. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University’s financial health when considered with non-financial facts such as enrollment levels and the condition of facilities. One must also consider that the consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the University to better serve the mission of the University.

Statement of Revenues, Expenses, and Changes in Net Assets

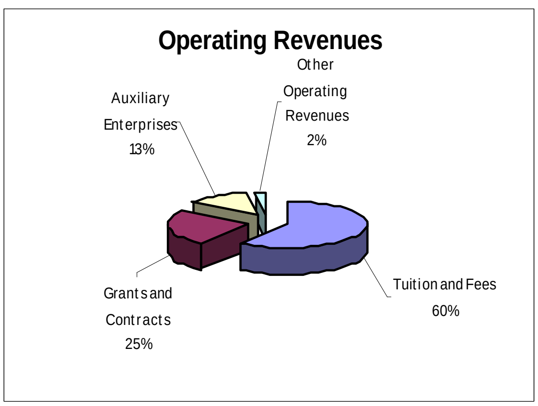
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

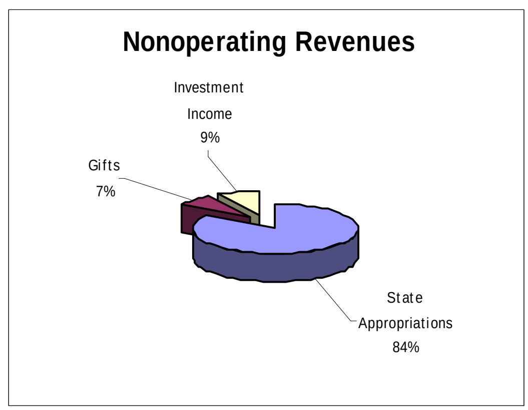
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2005	2004
Operating Revenues		
Tuition and Fees	$ 49,043,873	$ 44,636,122
Grants and Contracts	20,126,895	20,127,648
Auxiliary Enterprises	10,544,111	11,265,302
Other	1,840,679	1,599,840
Total Operating Revenue	81,555,558	77,628,912
Operating Expenses		
Salaries and Wages	70,398,179	68,258,931
Employee Benefits	25,045,382	23,721,373
Scholarships and Fellowships	9,918,627	9,606,541
Depreciation	8,530,421	8,006,850
Other operating expenses	28,412,529	31,142,987
Total Operating Expenses	142,305,138	140,736,682
Operating Income/(Loss)	(60,749,580)	(63,107,770)
Nonoperating Revenues/(Expenses)		
State Appropriations	57,332,450	55,324,189
Other Nonoperating Revenues/(Expenses)	9,580,396	9,063,085
Net Nonoperating Revenues/(Expenses)	66,912,846	64,387,274
Income Before Other Revenues	6,163,266	1,279,504
Other Revenues		
Capital Appropriations	2,655,725	22,624,908
Capital Grants and Gifts	3,451,797	282,528
Additions to Permanent Endowments	3,598,894	1,685,344
Total Other Revenue	9,706,416	24,592,780
Increase in Net Assets	15,869,682	25,872,284
Net Assets - Beginning of Year	215,884,910	190,012,626
Net Assets - End of Year	$ 231,754,592	$ 215,884,910

The most significant sources of operating revenues for the University are student tuition and fees, grants and contracts, and auxiliary enterprise revenue. Student tuition and fees, net of scholarship discounts and allowances, totaled $49 million for the year. The increase of $4.4 million is attributed to a 10% tuition increase.

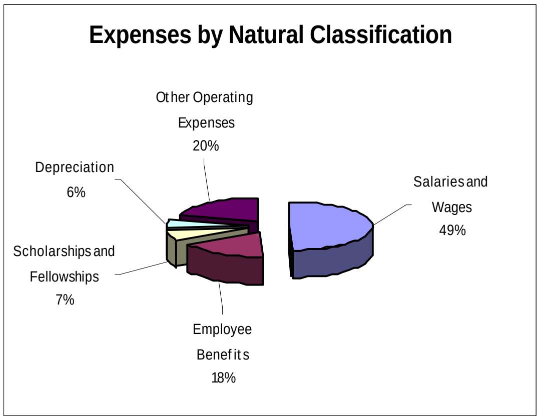
Grants and contracts revenue totaled $20.1 million for the fiscal year 2005, which is consistent with fiscal year 2004. The amount reflects continued utilization of Federal Pell grants issued to qualifying students. Capital appropriations received from the State in fiscal year 2005 decreased significantly as compared to fiscal year 2004, primarily due to the new Davis Campus addition in fiscal year 2004. Capital grants and gifts increased in fiscal year 2005 due to $3 million dollars in capital donations received for the Swenson Gymnasium renovation project. Additions to permanent endowments also grew in fiscal year 2005 primarily due to a $2.2 million donation to the Moyes College of Education. The following charts highlight the University's operating and nonoperating revenues for the fiscal year 2005.

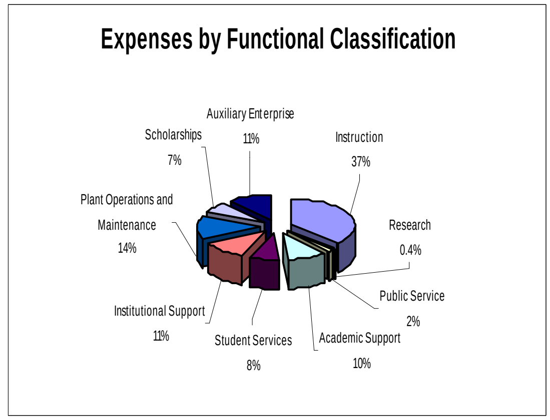




The University's operating expenses were $142.3 million for the fiscal year ended June 30, 2005. With the exception of the other operating expenses category, operating expenses increased gradually as expected. Other operating expenses decreased $2.7 million for fiscal year 2005, largely due to State appropriated construction projects which were expensed in fiscal year 2004, including Davis Campus furnishings. Operating expenses are reported by natural classification in the financial statement and by functional classification in the note disclosures.

The following charts illustrate the University's operating expenses by the two classifications for the fiscal year ended 2005.





As mandated by GASB standards, state appropriations are considered nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues. This mandate will always result in an overall operating loss. A more comprehensive assessment of the revenues of the University is reflected in "Income Before Other Revenue" totaling $6.2 million, and the overall "Increase in Net Assets" totaling $15.9 million.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section shows the net change in cash which reconciles to the end of year cash shown on the Statement of Net Assets.

Condensed Statement of Cash Flows

		2005		2004
Cash and cash equivalents provided (used) by:				
Operating activities	$	(53,377,172)	$	(56,601,416)
Noncapital financing activities		64,053,442		60,444,870
Capital financing activities		(4,151,122)		(4,076,829)
Investing activities		(4,741,993)		(23,332,234)
Net change in cash and cash equivalents		1,783,155		(23,565,609)
Cash and cash equivalents, beginning of year		17,606,001		41,171,610
Cash and cash equivalents, end of year	$	19,389,156	$	17,606,001

Major Construction Projects

There were several significant construction projects during the fiscal year. These projects were funded from a number of different sources including private donations, revenue bond proceeds, and state capital appropriations.

Jack D. Lampros Hall
In August 2004, the University opened the doors to the newly renovated hall for teaching, learning, and technology. The previously outdated Collett Art building was renovated into a state-of-the-art facility. The 18,361 square foot facility was renovated with approximately $3 million in donations and will benefit the campus for years to come.

Shepherd Union Building
Beginning in May 2006, the Sheperd Union Building, constructed in 1961, will undergo a $24.5 million renovation. The scope of the project will include completely replacing the buildings infrastructure, constructing new student and administrative spaces, and providing any needed structural repairs to the 182,000 square foot facility. The project was approved by the Utah State Legislature in the 2005 session. In September of 2005 revenue bonds were issued to finance the project (see footnote 12). The renovation is expected to be completed in July of 2008.

Swenson Building
May 2005 was the kick off for a major renovation in the Swenson Building. This is the first major renovation to the 96,000 square foot facility since its construction in 1962. New electrical, heating, cooling, water and fire protection systems, and energy efficient windows are being installed. Several new classrooms are being created as part of the renovation and will more than double the available teaching space in the modernized building. The estimated completion date is August 2006 to be ready for fall classes.

Track and Field Locker Rooms
The construction of a new 4,400 square foot track and field locker room was completed in May 2005. The project scope was to construct a new shower, locker, and training facility for both men's and women's track and field teams. The project was funded by private donations and cost approximately $1 million dollars to construct. The locker room includes new and refurbished wood lockers and training equipment.

Implementation of New Administrative Enterprise Systems

In coordination with the Utah System of Higher Education (USHE), a comprehensive evaluation of our administrative enterprise systems (including the Financial System, Human Resource System and Student Information System) was conducted during 2001 and 2002. In mid 2002, USHE selected SCT's Banner Series as the standard software for the USHE institutions. Once this decision was made, the University immediately initiated plans to implement the software. The Banner Financial module just completed its second full year of operations with great success. Banner Human Resources went live January 1, 2004 and Banner Alumni and Development went live February 11, 2004, both with successful implementations. The remaining module, Banner Student, will be implemented fall semester 2005.

Economic Outlook

The University is well positioned to continue its strong financial condition. A crucial element to the University's future continues to be our strong relationship with the State of Utah. As the result of a more expanding economy, the University's base budget increased approximately 7% for the fiscal year 2004-2005. Base budget also increased approximately 6% for the fiscal year 2005-2006.

There is a direct relationship between the level of State support and the University's ability to control tuition increases. Economic factors as well as increased pressures on State revenues, are likely to force the University to continue to examine tuition increases to aid in the University's overall budgetary situation. Providing necessary academic and support services for long-term increased student enrollments further exacerbates this situation. The University implemented a 10% tuition increase for fiscal year 2004-2005 (an 8.75% increase will be implemented for fiscal year 2005-2006).

As the financial statements and footnotes indicate, the University remains on a solid financial foundation even during these challenging economic times. A conservative financial management approach will continue to be employed in managing the resources of the University.

Norman C. Tarbox, Jr., Ed.D.,
Vice President for Administrative Services

Weber State University
Statement of Net Assets
As of June 30, 2005 and 2004

	2005	2004 (comparative only)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 17,657,250	$ 15,315,192
Accounts receivable, less allowance for doubtful accounts of $375,306 and $406,055 in 2005 and 2004, respectively	3,925,250	3,247,355
Interest receivable	364,375	388,016
Inventories	1,994,870	1,450,300
Prepaid expenses	-	69,231
Student loans receivable, less allowance for doubtful notes of $145,540 and $126,547 in 2005 and 2004, respectively	1,745,669	1,740,755
Other current assets	345,775	343,863
Total current assets	26,033,189	22,554,712
Noncurrent Assets		
Restricted cash and cash equivalents	1,731,906	2,290,809
Investments	87,284,474	76,715,151
Student loans receivable, less allowance for doubtful notes of $450,937 and $400,734 in 2005 and 2004, respectively	5,407,237	5,443,307
Pledges receivable, less allowance for doubtful pledges of $30,573 and $6,904 in 2005 and 2004, respectively	1,498,101	338,316
Capital assets, net (footnote 3)	137,287,719	137,946,652
Total noncurrent assets	233,209,437	222,734,235
Total Assets	259,242,626	245,288,947
LIABILITIES		
Current Liabilities		
Accounts payable	268,918	688,658
Accrued liabilities	237,026	207,766
Accrued payroll	122,800	80,000
Contracts payable-leases	80,089	111,854
Due to state agency	388,127	1,064,751
Compensated absences & postemployment benefits	2,363,982	2,478,922
Deferred revenue	3,424,036	3,584,797
Bonds payable--current portion	950,000	905,000
Other liabilities--current portion	1,507,382	1,274,479
Total current liabilities	9,342,360	10,396,227
Noncurrent Liabilities		
Deposits/Funds held for others	-	210,433
Compensated absences & postemployment benefits	2,417,025	2,218,016
Annuities payable	543,074	529,611
Contracts payable-leases	390,575	304,750
Bonds payable--non-current portion	14,795,000	15,745,000
Total noncurrent liabilities	18,145,674	19,007,810
Total Liabilities	27,488,034	29,404,037
NET ASSETS		
Invested in capital assets, net of related debt	121,072,055	120,669,615
Restricted:		
Nonexpendable		
Primarily scholarships and fellowships	38,099,129	32,851,014
Expendable		
Primarily scholarships and fellowships	20,890,102	18,270,150
Capital projects	13,050,245	9,701,278
Loans	8,511,272	8,264,535
Sponsored projects	1,409,944	1,436,391
Unrestricted	28,721,845	24,691,927
Total Net Assets	$ 231,754,592	$ 215,884,910

The accompanying notes are an integral part of these financial statements.

Weber State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2005 and 2004

	2005	(comparative only) 2004
REVENUES		
Operating Revenues		
Student tuition and fees (net of allowances of $10,467,997 and $10,581,722 in 2005 and 2004, respectively)	$ 49,043,873	$ 44,636,122
Federal grants and contracts	17,826,089	18,253,935
State and local grants and contacts	1,734,688	1,380,048
Nongovernmental grants and contracts	566,118	493,665
Sales and services of educational activities	890,867	1,008,303
Auxilliary enterprises (net of scholarship allowances of $453,231 and $399,751 in 2005 and 2004, respectively)	10,544,111	11,265,302
Other operating revenues	949,812	591,537
Total Operating Revenues	81,555,558	77,628,912
EXPENSES		
Operating Expenses		
Salaries and wages	70,398,179	68,258,931
Employee benefits	25,045,382	23,721,373
Scholarships and fellowships	9,918,627	9,606,541
Depreciation	8,530,421	8,006,850
Other operating expenses	28,412,529	31,142,987
Total Operating Expenses	142,305,138	140,736,682
Operating Income (Loss)	(60,749,580)	(63,107,770)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	57,332,450	55,324,189
Gifts	4,641,920	3,614,164
Investment income (net of investment expense)	5,827,330	6,343,648
Interest on capital assets-related debt	(888,854)	(894,727)
Net Nonoperating Revenues	66,912,846	64,387,274
Income Before Other Revenue	6,163,266	1,279,504
OTHER REVENUES		
Capital appropriations	2,655,725	22,624,908
Capital grants and gifts	3,451,797	282,528
Additions to permanent endowments	3,598,894	1,685,344
Total other revenue	9,706,416	24,592,780
Increase in Net Assets	15,869,682	25,872,284
NET ASSETS		
Net Assets - Beginning of Year	215,884,910	190,012,626
Net Assets - End of Year	$ 231,754,592	$ 215,884,910

The accompanying notes are an integral part of these financial statements.

Weber State University
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2005 and 2004

	2005	(comparative only) 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 48,883,112	$ 44,310,624
Receipts from grants/contracts	19,449,000	20,127,648
Receipts from auxiliary and educational services	11,434,978	12,273,605
Collection of loans from students	1,630,487	1,644,452
Loans issued to students	(1,599,331)	(1,508,958)
Payments for scholarships and fellowships	(9,918,627)	(9,606,541)
Payments for employee services and benefits	(95,316,692)	(92,528,494)
Other receipts from suppliers	(40,141)	(64,683)
Other payments to suppliers	(27,899,958)	(31,249,069)
Net cash provided (used) by Operating Activities	(53,377,172)	(56,601,416)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	57,332,450	55,324,189
Receipts from gifts/grants	3,108,635	3,426,798
Receipts for permanent endowments	3,598,894	1,685,344
Other noncapital financing activities	13,463	8,539
Net cash provided (used) by Noncapital Financing Activities	64,053,442	60,444,870
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital state appropriations	-	1,757,483
Receipts from capital grants/gifts	3,451,797	282,528
Purchases of capital assets	(5,693,385)	(4,220,647)
Principal paid on capital debt/leases	(1,049,940)	(991,746)
Interest paid on capital debt/leases	(859,594)	(904,447)
Net cash provided (used) by Capital and related Financing Activities	(4,151,122)	(4,076,829)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	9,287,948	23,838,238
Receipt of interest/dividends from investments	2,861,184	1,844,550
Purchase of investments	(16,891,125)	(49,015,022)
Net cash provided (used) by Investing Activities	(4,741,993)	(23,332,234)
Net Increase (decrease) in Cash and Cash Equivalents	1,783,155	(23,565,609)
Cash and Cash Equivalents - Beginning of Year	17,606,001	41,171,610
Cash and Cash Equivalents - End of Year	$ 19,389,156	$ 17,606,001

The accompanying notes are an integral part of these financial statements.

Weber State University
Statement of Cash Flows (continued)
For the Fiscal Years Ended June 30, 2005 and 2004

Reconciliation of net operating revenues (expenses) to
Net cash provided (used) by operating activities:

	2005	(comparative only) 2004
Operating income (loss)	$ (60,749,580)	$ (63,107,770)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,530,421	8,006,849
Donated property and equipment	373,499	-
Changes in assets and liabilities:		
Receivables (net)	(677,895)	(491,934)
Student loans receivable	31,156	135,494
Interest receivable	23,641	(165,780)
Inventories	(544,570)	315,811
Prepaid expenses	69,231	47,055
Other current assets	(1,912)	(5,877)
Accounts payable	(419,740)	(1,141,120)
Accrued payroll	42,800	(1,047,081)
Deferred revenue	(160,761)	166,436
Deposits (formerly funds held for others)	(210,433)	(62,073)
Compensated absences	199,009	554,941
Retirement benefits payable	(114,940)	(56,050)
Other current liabilities	232,902	249,683
Net cash provided (used) by Operating Activities	$ (53,377,172)	$ (56,601,416)
Noncash Investing, Capital, and Financing Activities:		
Increase (decrease) in fair value of investments	$ 2,966,146	$ 4,499,098
Capital assets acquired from state	2,655,725	20,867,425
Donated property and equipment	373,499	1,429,911
Capital assets acquired through capital lease obligations	199,000	-
Total Noncash Investing, Capital, and Financing Activities	$ 6,194,370	$ 26,796,434

The accompanying notes are an integral part of these financial statements.

Weber State University
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by Weber State University (the University) are set forth below:

Reporting Entity: The University is a component unit and an integral part of the State of Utah. The University is considered a component unit of the State of Utah because it receives appropriations from the State and is financially accountable to the State. The financial activity of the University is included in the State's Comprehensive Annual Financial Report, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity.*

The financial statements include the accounts of the University, all auxiliary enterprises and other restricted and unrestricted funds of the University, and the Weber State University Foundation (the Foundation). The Foundation, a non-profit organization, was incorporated under Utah law in 1972. The Foundation was established to provide support for the University, its faculty and students, and to promote, sponsor, and carry-out educational, scientific, charitable, and related activities and objectives at the University. The University has a controlling number of positions on the Board of Directors of the Foundation.

The Foundation is included in the financial statements of the University as a blended component unit. A blended component unit is an entity, which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. It is reported as part of the University. Financial statements of the Foundation can be obtained from the University.

Basis of Accounting: Under the provisions of the GASB standards, The University is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting will require the University to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. This includes an MD&A, a statement of net assets or a balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, notes to the financial statements, and other applicable RSI. The required basic financial statements described above are prepared using the economic measurement focus and the accrual basis of accounting. Fund financial statements are not required for BTA reporting.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions,* the University recognizes the estimated net realizable value of pledges as revenue as soon as all eligibility and time requirements imposed by the provider have been met.

Cash Equivalents: For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah State Treasurers' Investment Pool are also considered cash equivalents.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

<u>Accounts Receivable</u>: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Utah. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated un-collectible amounts.

<u>Inventories</u>: Inventories held for resale are stated at the lower of cost (first-in, first-out method) or market or on a basis, which approximates cost determined on the first-in, first-out method. Non-resale inventories are expensed as purchased. Bookstore inventories are valued using the retail inventory method.

<u>Restricted Cash and Cash Equivalents</u>: Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as restricted assets in the statements of net assets.

<u>Capital Assets</u>: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements with a cost of $50,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land will be capitalized and not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings, 20 years for infrastructure, land improvements, and library collections, and 3 to 10 years for equipment.

<u>Deferred Revenues</u>: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

<u>Compensated Absences</u>: Non-academic full-time and certain part-time University employees earn vacation leave for each month worked at a rate between 12 and 22 days per year. Vacation time may be used as it is earned. A maximum of 240 hours can be carried over into the next vacation year, which begins each November 1. Upon termination, no more than the maximum plus the current year earned vacation is payable to the employee.

Non-academic full-time and certain part-time University employees earn sick leave at the rate of one day earned for each month worked. No payment will be made for unused sick leave in the event of termination. Non-classified and professional staff will have sick leave provided to them as it is needed. After an employee has accumulated 18 days of unused sick leave, any sick leave days accumulated by the end of the sick leave year in excess of 8 days may be converted at the option of the employee to vacation days.

A liability is recognized in the Statement of Net Assets for vacation payable to the employees at the statement date.

<u>Non-current Liabilities</u>: Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

<u>Net Assets</u>: The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include unrestricted quasi-endowments.

Classification of Revenues: The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available, such resources are spent within the guidelines of donor restrictions, in the case of restricted resources, and within the guidelines of department and University policies for unrestricted resources.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Disclosures: The fiscal year 2004 financial report is included for comparison only and is not complete. The footnotes related to the 2004 financial statements have not been repeated in this report but are available in the separately issued financial statements for the fiscal year ended June 30, 2004.

2. CASH AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The University follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal deposit policy for custodial credit risk that further limits custodial arrangements from what is required by the State Money Management Act in regard to custody of the University's deposits. As of June 30, 2005, the bank balances of the University's deposit were $107,897 at Wells Fargo, and $162,715 at Weber State Credit Union. The bank balance of the Foundation's deposit was $50,333. Of the bank balances amount, $150,333 is insured by the Federal Deposit Insurance Corporation and $100,000 is insured by the National Credit Union Administration. As of June 30, 2005, $70,612 of the University's bank balances of $320,945 was uninsured and un-collateralized. The Foundation had $98,857 held by Morgan Stanley and $2,085 held by Merrill Lynch that was uninsured and uncollateralized. The State of Utah does not require collateral on deposits.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the University and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

Through May 2005, statutes also authorized the University to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the University to invest these funds in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule. As of May 2, 2005 state law allows endowment funds of higher education institutions to be invested in accordance with Board of Regents default investment guidelines or in accordance with policies adopted by the Institutions's Board of Regents. For the period ending June 30, 2005, the Board of Regents has required all institutions to continue investing endowment funds in accordance with Rule 2 of the money management act.

According to the Uniform Management of Institutional Funds Act, Section 13-29 of the Utah Code, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized or unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision. The endowment spending policy at June 30, 2005, is 3% of the twelve quarter moving average of the market value of the endowment pool. The amount of net appreciation on investments of donor-restricted endowments that were available for authorization for expenditure at June 30, 2005 was approximately $2.6 million. The net appreciation is a component of restricted expendable net assets.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management ACT, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participants average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the University had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
State of Utah Public Treasurer's Investment Fund	$ 20,927,879	$ 20,927,879	$ –	$ –	$ –
Repurchase Agreements	2,082,561	2,082,561	–	–	–
Money Market Mutual Funds	301,309	–	301,309	–	–
U.S. Agencies	39,009,243	–	39,009,243	–	–
Mutual Funds	37,303,723	–	37,303,723	–	–
Stocks	9,244,424	–	9,244,424	–	–
Total	$ 108,869,139	$ 23,010,440	$ 85,858,699	$ –	$ –

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for University funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For University funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the University had the following investments and quality ratings:

	Fair	Quality Ratings			
Investment Type	Value	AAA	AA	A	Un-rated
State of Utah Public Treasurer's Investment Fund	$ 20,927,879	$ –	$ –	$ –	$ 20,927,879
Repurchase Agreements	2,082,561	2,082,561	–	–	–
U.S. Agencies	39,009,243	39,009,243	–	–	–
Mutual Funds					
Bonds	8,045,803	–	–	–	8,045,803
Equity	24,937,714	–	–	–	24,937,714
Growth	2,894,608	–	–	–	2,894,608
Real Estate	1,425,598	–	–	–	1,425,598
Money Market	301,309	–	–	–	301,309
Stocks	9,244,424	–	–	–	9,244,424
Total	$108,869,139	$ 41,091,804	$ –	$ –	$ 67,777,335

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. For University funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5% of all funds in any one issuer and no more than 25% of all funds in any one industry. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentration in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk that further limits custodial arrangements from what is required by the State Money Management Act. As of June 30, 2005 the University had $2,082,561 in repurchase agreements where the underlying securities were uninsured and held by Wells Fargo Bank but not in the University's name.

3. CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets:

	Beginning Balances	Additions	Reductions	Ending Balance
Land	$ 6,844,524	$ –	$ –	$ 6,844,524
Water Rights	71,775	–	–	71,775
Land Improve/infrastructure	16,955,197	1,213,555	–	18,168,752
Buildings	186,484,571	6,439,307	–	192,923,878
Equipment	17,944,164	1,499,968	1,129,908	18,314,224
Library Collections	19,925,063	886,638	36,830	20,774,871
CIP	3,225,036	3,061,157	5,194,364	1,091,829
Total	251,450,330	13,100,625	6,361,102	258,189,853
Less: Accumulated depreciation for:				
Land Improvements/infrastructure	10,156,025	495,985	–	10,652,010
Buildings	78,934,997	5,589,611	–	84,524,608
Equipment	13,792,237	1,659,896	1,095,134	14,356,999
Library collections	10,620,419	784,928	36,830	11,368,517
Total	113,503,678	8,530,420	1,131,964	120,902,134
Capital Assets–net	$ 137,946,652	$ 4,570,205	$ 5,229,138	$ 137,287,719

Long Term Liabilities:

	Beginning Balances	Additions	Reductions	Ending Balance	Current Portion
Contracts Payable-Leases and Bonds Payable:					
Contracts Payable-Leases	$ 416,604	$ 199,000	$ 144,940	$ 470,664	$ 80,089
Bonds Payable	16,650,000	–	905,000	15,745,000	950,000
Total Contracts & Bond Obligations	17,066,604	199,000	1,049,940	16,215,664	1,030,089

Other Liabilities:					
Compensated Absences	2,581,023	1,600,320	1,485,858	2,695,485	1,633,779
Retirement Benefits Payable	2,115,915	829,607	860,000	2,085,522	730,203
Funds Held for Others	210,433	–	210,433	–	–
Annuities Payable	529,611	24,854	11,391	543,074	–
Total Other Liabilities	5,436,982	2,454,781	2,567,682	5,324,081	2,363,982
Total Long-term Liabilities	$ 22,503,586	$ 2,653,781	$ 3,617,622	$ 21,539,745	$ 3,394,071

4. REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30, 2005 and 2004:

	2005	2004
Student Facilities System Revenue Bonds, Series 2001A 4.00%-5.25% Maturing 2005 through 2031	$ 11,640,000	$ 11,860,000
Student Facilities System Refunding Revenue Bonds, Series 1998A 3.85%-4.80% Maturing 2005 through 2010	3,245,000	3,530,000
Student Facilities System Refunding Revenue Bonds, Series 1997A 4.15%-4.95% Maturing 2005 through 2007	860,000	1,260,000
	$ 15,745,000	$ 16,650,000

Principal and interest on these revenue bonds are collateralized by a first lien on certain revenue and other income of the University operations. The Student Facilities System includes the Student Union Building; the University bookstore; the Dee Events Center, including the parking and all concessions; and student housing facilities. All revenues from these facilities and student building fees are pledged to the Series 1997A, Series 1998A, and Series 2001A Revenue Bonds and are included in Student Tuition & Fees and Auxiliary Enterprises Revenue. Revenues from these facilities and student building fees totaled $13,686,638 for fiscal year 2005. In addition, the Bonds are insured by the Municipal Bond Insurance Association, for the timely payment of principal and interest.

The scheduled maturities of the revenue bonds are as follows:

	Principal	Interest	Total Payments
2006	$ 950,000	$ 790,156	$ 1,740,156
2007	995,000	746,786	1,741,786
2008	1,085,000	699,558	1,784,558
2009	1,140,000	649,063	1,789,063
2010	1,195,000	596,013	1,791,013
2011-2015	1,580,000	2,548,219	4,128,219
2016-2020	2,025,000	2,105,950	4,130,950
2021-2025	2,610,000	1,518,301	4,128,301
2026-2030	3,380,000	756,264	4,136,264
2031	785,000	41,214	826,214
Totals	$ 15,745,000	$ 10,451,524	$ 26,196,524

Defeased Revenue Bonds

In prior years, the University defeased the Weber State University Special Events Center Bond Series E by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds.

On June 30, 2005, $2,125,000 of bonds outstanding are considered defeased.

5. LEASE OBLIGATIONS

The University has acquired certain equipment under various lease-purchase contracts and other capital lease agreements. The cost of University assets held under capital leases totaled $725,670 and the accumulated depreciation for these assets was $450,778 as of June 30, 2005.

Future minimum lease payments for all capital lease obligations as of June 30, 2005, are as follows:

Year Ending June 30,	Equipment Leases
2006	$ 102,119
2007	102,119
2008	102,119
2009	102,119
2010	102,119
2011	33,087
Total minimum lease payments	543,682
Less amounts representing interest	(73,018)
Present value of minimum lease payments	$ 470,664

6. PENSION PLANS AND RETIREMENT BENEFITS

As required by state law, eligible non-exempt employees of the University (as defined by the U.S. Fair Labor Standards Act) are covered by the Utah Public Employees Contributory or Noncontributory Retirement System, and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association (TIAA). The compensation for employees covered by the Utah Public Employees Contributory System, Utah Public Employees Noncontributory System, TIAA, and for non-eligible employees for the year ended June 30, 2005, was $506,202, $13,782,064, $44,814,064, and $11,742,645, respectively.

The University contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement system, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated, 1953,* as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the University is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System, the University is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The University contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were $75,374, $69,991, and $75,063, respectively. The University's contributions to the Noncontributory Retirement System, for the same fiscal years were $1,844,041, $1,541,099, and $1,316,208 respectively. The contributions were equal to the required contributions for those years.

Employees who participate in the State and School Noncontributory pension plan are also participants in a qualified contributory 401(k) savings plan administered by the system. The University contributes 1.5% of the employee's annual salary to the plan. During the year ended June 30, 2005, the University's contribution totaled $209,390.

TIAA provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ending June 30, 2005, the University's contribution to this defined contribution plan was 14.2% of the employee's annual salary or $6,363,602. The University has no further liability once annual contributions are made.

7. CONSTRUCTION COMMITMENTS

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions maintains records, and furnishes cost information for recording land assets on the books of the University. Construction projects administered by DFCM that were started prior to fiscal year 2003 and are not completed are recorded as Construction in Process. Construction projects beginning in fiscal year 2003 and after will not be recorded on the books of the University until the facility is available for occupancy. At June 30, 2005 the University had outstanding commitments for the construction and remodeling of University buildings of approximately $502,152.

8. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the University provides an early retirement program to qualified employees that are approved by the administration in accordance with University policy as approved by the State Board of Regents. Qualified employees are those who retire from the University on or after attaining age 55 with at least 15 years of full-time continuous service. Benefits are payable for 7 years or until the retiree reaches age 65. The benefits include a semi-monthly stipend of between 14.28% to 30% of the retiree's salary at the time of active employment along with health and dental insurance. The benefits are paid by the University at a rate of 71.4% to 93.0% for medical and 57.1% to 80.0% for dental benefits.

There are currently 52 retirees who are receiving benefits under the University's early retirement program.

The University has recorded a liability for the cost of these benefits at their net present value in the year the individuals retire using a discount rate of 3.00%. The expense for the early retirement program for the year ended June 30, 2005, was $860,000.

9. RISK MANAGEMENT

The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the University and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

10. PLEDGES

At June 30, 2005, the University had total pledges of $1,498,101. As a result of implementing GASB Statement No. 33, the University has recognized $1,390,000 as revenue in fiscal year 2005.

11. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

The following schedule presents operating expenses by functional classifications for the year ended June 30, 2005.

Category	Amount
Instruction	$ 52,474,223
Research	555,299
Public Service	2,305,520
Academic Support	13,896,924
Student Service	11,094,056
Institutional Support	16,362,638
Plant Operations and Maintenance	20,091,432
Scholarships	9,918,627
Auxiliary Enterprise	15,606,419
Total Education and General	$ 142,305,138

12. SUBSEQUENT EVENTS

In September of 2005, the University issued a $22.81 million Student Fee and Student Facilities System Revenue Bonds, Series 2005 with Zions Bank Public Finance. The funds from these bonds will be used to renovate the Shephard Student Union Building. This project includes the design, construction, furnishings, and equipment required to complete the renovation. Principal on the bonds is due annually commencing April 1, 2009 through April 1, 2032. Bond interest is due semiannually commencing April 1, 2006 at rates ranging from 3.250% to 5.125%.